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Hedge Fund Investment Due Diligence Report
Och-Ziff Capital Management Group

December 2010

Operations Due Diligence Report provided under separate cover.

Hedge Fund Investment Due Diligence Report

Firm Name:	Och-Ziff Capital Management Group		
Fund Name:	OZ Domestic Partners II, L.P.; OZ Overseas Fund II, Ltd.		
Fund/Strategy Assets:	$19.1 billion		
Style:	Multi-Strategy	**Location:**	New York, NY (headquarters)
Review Date:	December 2010	**Reviewer:**	[redacted]

Summary

People and Organization: Och-Ziff Capital Management Group ("OZ" or the "Firm") is a top tier hedge fund management firm founded in 1994 by Daniel Och and the Ziff family. Daniel Och was previously co-head of equity trading at Goldman Sachs. The firm has 405 employees globally, of which 133 are investment professionals. OZ manages $27.2 billion in multi-strategy, structured credit, and special situations funds. Its flagship fund, the OZ Master Fund ("OZ Master" or the "Fund") is one of the largest multi-strategy funds with about $19.1 billion in assets. Senior members of the team, particularly Daniel Och, have a substantial portion of their net worth invested in the funds. The management company is publicly listed. OZ is registered with the U.S. Securities and Exchange Commission.

Investment Strategy and Process: OZ applies an event oriented approach to multi-strategy investing by opportunistically allocating capital across multiple strategies including: merger arbitrage, long/short equity special situations, convertible and derivative arbitrage, corporate credit, structured credit and private investments. Portfolios are constructed bottom-up and OZ actively trades around long-term positions to add value. The firm takes advantage of its global reach to manage a portfolio diversified across the US (51%), Europe (31%) and Asia (18%). OZ utilizes limited leverage and total gross exposure averages around 200% with a low (30% average) net exposure.

Performance: OZ Master has generated very strong risk adjusted returns over various market conditions. The fund has produced an annualized net return of 14.01%, with a 5.59% standard deviation from inception in April 1994 through October 2010, generating a 1.70 Sharpe ratio.

Risk Management: OZ manages the portfolio to be beta neutral and seeks to hedge market, credit and currency exposure. The portfolio is highly diversified across 1,000+ positions, with each position sized to limit loss [redacted]. The head of risk analytics independently analyzes the portfolio and provides risk exposure to the portfolio managers.

Operations Analysis: The firm has significant resources allocated to operations and back office infrastructure, with a team of over 270 professionals. The firm has policies and controls in place to address the operations, trading, reconciliation, valuation and shareholder accounting procedures. OZ provides monthly reporting and has good disclosure on positions and strategy weightings.

Investment Terms: The terms for the OZ Master Fund are in-line with industry standards and vary depending on the share class. The Fund offers a two year lock-up share class at a 2% management fee, a one year lock-up at a 2.5% management fee and a three year lock-up at a 1.5% management fee. The incentive fee for all three share classes is standard at 20%. The share class with a three year lock-up period also has a 3-month T-bill hurdle rate. Annual withdrawals are permitted in the two year and three year classes, while the one year class offers quarterly withdrawals. All share classes have a perpetual high water mark.

Recommendation

OZ Master Funds are recommended for investment in the multi-strategy category.

People and Organization

Och-Ziff Capital Management Group ("OZ" or the "Firm") was founded in 1994 by Daniel Och and the Ziff family, which through Ziff Brothers Investments, L.L.C. provided [redacted] in seed capital. Och-Ziff Capital Management Group went public in November 2007 and was one of the first dedicated hedge fund firms to do so. OZ began accepting external capital in 1998 and has grown into a $27 billion hedge fund management firm. Daniel Och was previous co-head of proprietary equity trading at Goldman Sachs.

OZ has a global presence with offices in New York (headquarters), London, Hong Kong, Beijing and Mumbai. The London office was founded twelve years ago and now houses more than 65 people, including 38 investment professionals. The Asian offices presently total more than 40 people, including 24 investment professionals. OZ has 70 executive managing directors and managing directors, with 15 in London, and 8 in the various Asia-based offices. This is an indication of the direction OZ is moving in order to gain a stronger local presence in key regional markets. Twenty-one of the executive managing directors and managing directors are on the operations side of the business.

OZ issued shares to the public in an IPO on November 14, 2007 and concurrently sold a 9.85% interest to DIC-Sahir, a subsidiary of Dubai International Capital, LLC. Following the completion of the offering and sale, OZ's ownership is currently as follows: [redacted] Daniel Och, [redacted] 16 other OZ partners, [redacted] public shareholders (including DIC-Sahir), and [redacted] Ziff Brothers Investments. The transaction allowed OZ to distribute equity ownership to a broader group of investment and other professionals at the firm. The OZ professionals invested the majority of the proceeds they received in the IPO in OZ funds, specifically a new private equity oriented fund, OZ Global Special Investments. Approximately 50% of the capital invested in the OZ Global Special Investments Fund has since been transferred into either the OZ Master Fund or one of the other products that the firm offers, including a real estate fund and a fund dedicated to structured credit opportunities.

As of October 31, 2010, OZ managed $27.2 billion in 8 products. The flagship funds are the diversified multi-strategy OZ Master funds at $19.1 billion. Additionally, OZ offers geographically or strategy oriented funds including the OZ Europe Master funds at $2.9 billion and the OZ Asia Master Fund, Ltd. at $1.5 billion. The firm also has more than $900 million in separate accounts invested in various strategies and a fund focused on Africa. Employees of the firm hold a meaningful percentage of the total assets OZ manages.

OZ has historically been a mainstay in portfolios of non-profit investors, particularly university endowments and foundations, hospitals and other similar types of organizations. OZ's client base reflects that and is skewed toward the non-profits, with financial service organizations (banks, insurance companies and fund of funds) representing the next largest type of investor. OZ has been making a strong push to diversify its client base and has developed a marketing and client service team to focus on the institutional market. Asset growth, despite year-end 2008 redemptions, has been very strong, due to both organic growth and inflows. The OZ Master Fund has recently experienced particularly strong growth, raising nearly $3 billion in net inflows from during the first ten months of 2010. Exhibit 1 shows how the Master Funds have grown from just over $1 billion in 1998 to $19.1 billion currently.

Exhibit 1
Och-Ziff Capital Management Group
Assets Under Management ($billions)

Year End	Total Assets Under Management	OZ Master Funds
1998	1.5	1.2
1999	1.9	1.8
2000	3.4	3.2
2001	6.6	4.9
2002	7.0	5.0
2003	7.6	5.4

2004	11.6	9.7
2005	15.7	12.0
2006	23.2	15.6
2007	33.3	19.9
2008	22.1	14.0
2009	23.5	16.2
2010 (October)	27.2	19.1

OZ has maintained a steady growth of employees to keep up with assets, expand the investment opportunity universe and enhance its global presence. A summary of personnel by function is presented in Exhibit 2.

Exhibit 2
Och-Ziff Capital Management Group
Personnel Count

	Involved With Fund Strategy	Firm-Wide	Departures Within Last Three Years*
Investment Professionals:			[redacted]
Portfolio Managers/Analysts	111	111	
Traders/Trade Assistants	19	19	
Risk Management	3	3	
Operations/Back Office:			
Operations/Accounting/Audit**	180	180	
Administration	68	68	
Information Technology	-	-	
Legal/Compliance	-	-	
Investor Relations	24	24	
Other	-	-	

* [redacted]

*** Includes Operations/IT/Legal*

Several senior professionals worked together at Goldman Sachs. Mr. Och was on the risk arbitrage desk while one of his partners, David Windreich, was on the equities, mergers and derivatives desk. [redacted] The team has been built by selectively hiring experienced professionals from other hedge funds and investment banks, and by developing talent internally. The investment professionals have extensive experience in portfolio management, fundamental research and legal, regulatory and accounting analysis. For offices outside the US, OZ typically hires local professionals who have worked at US firms (in the US and/or locally) and therefore understand the culture and investment approach utilized by a US hedge fund. OZ has restructured its Asia team to reflect the sector organized structure that they employ in the U.S. and Europe.

OZ's sector-focused investment teams are organized by strategy and led by a senior portfolio manager who oversees a team of portfolio managers and analysts. Separate teams cover U.S. equities, European equities, Asian equities, corporate credit, structured credit, convertible arbitrage, special situations, energy and infrastructure, and real estate. Analysts in the US and in Europe have sector research responsibilities, while in Asia they have recently also moved towards a sector-based structure. The investment team is comprised of individuals with the following responsibilities:

- US: 68 portfolio managers/analysts – 24 equities, 8 convertible/derivative arbitrage, 18 credit (including structured credit), and 13 private investments – includes 10 executive MDs; 7 traders
- Europe: 38 portfolio managers/analysts – 18 equities, 1 convertible/derivative arbitrage, 9 credit (including structured credit), and 8 private investments – includes 2 executive MDs; 6 traders
- Asia: 24 portfolio managers/analysts – 13 equity, 2 convertible/derivative arbitrage, 3 credit, and 4 private investments – includes 2 executive MDs; 4 traders

A list of key senior investment and operational professionals is included in Exhibit 3.

Exhibit 3
Och-Ziff Capital Management Group
Senior Investment and Operational Professionals

Name	Title	Years at Firm	Years Exp.	Prior Experience/ Education
Daniel S. Och	EMD, CEO	16	27	Goldman Sachs Wharton BS
David Windreich	EMD, Head of US Investing	16	27	Goldman Sachs UCLA MBA, BA
Richard E. Lyon	EMD, Head of Global Energy	6	17	Goldman Sachs Harvard MBA, Notre Dame BS
Joshua Ross	EMD, US Equity Analyst	8	13	Franklin Mutual, Fidelity Princeton BA
Boaz Sidikaro	EMD, US Equity Analyst	12	14	Morgan Stanley Wharton BS
Massimo Bertoli	EMD, European Equity Analyst	9	12	Goldman Sachs Universita Commerciale Luigi Bocconi BA
Dan Manor	EMD, Asian Equity Analyst	7	16	Credit Suisse First Boston INSEAD MBA, Tel Aviv Univ. JD
Harold A. Kelly, Jr.	EMD, Head of Global Convertible and Derivative Arbitrage	15	22	Cargill Financial Services, Eagle Capital Management, Merrill Lynch, Buchanan Partners Georgia Ph.D., MBA, BBA
Michael L. Cohen	EMD, Head of European Investing	13	17	Franklin Mutual, CS First Boston Bowdoin BA
Zoltan Varga	EMD, Head of Asian Investing	12	14	Goldman Sachs DePauw BA
Kaushik Ghosh	EMD, Convertibles	10	23	Morgan Stanley, Bankers Trust, IBJ, Schroder Columbia PhD, Calcutta BSc
Joel M. Frank	EMD, Chief Financial Officer	16	32	Manufacturers Hanover, Rho Management Fordham MBA, Hofstra BA, CPA
James O'Connor	EMD, Head of Global Portfolio Finance	7	16	Goldman Sachs, Bankers Trust Scranton BS
James-Keith (JK) Brown	EMD, Head of Global Investor Relations	7	26	Goldman Sachs, JP Morgan, Dartmouth, Bankers Trust UNC BA
Sean Rhatigan	EMD, Senior Controller	11	15	PriceWaterhouse SUNY Albany BA
Jeff Blockinger	EMD, Chief Compliance Officer	5	14	Schulte, Roth & Zabel University of Miami JD, Purdue BA
Joseph Samuels	EMD, Head US Equity Trader	7	13	Pequot Capital, Merrill Lynch Rutgers BA
James Levin	EMD, Head of US Structured Credit	4	6	Dune Capital Management, Sagamore Hill Capital Management Harvard BA
Wayne Cohen	EMD, Chief Operating Officer	5	9	Schulte, Roth & Zabel NYU JD, Tulane BA

**EMD: Executive Managing Director*

Compensation for all employees is based on [redacted]

[redacted]

Turnover of senior employees has been very low, and senior members are tied in to the firm. [redacted]

[redacted]

Investment Strategy and Process

OZ Master is a global multi-strategy fund that seeks to achieve consistent absolute returns that are non-correlated with the equity markets through investments in merger arbitrage, equity long/short special situations, convertible and derivative arbitrage, corporate credit, structured credit and private investments. Capital preservation is a key element of the fund's strategy. The fund has an event driven bias seeking to isolate and analyze event risk/reward parameters and invests in securities across the capital structure. The manager applies a bottom-up process that is supported by extensive qualitative and quantitative analysis.

Strategy allocation is conducted on an opportunistic basis where each investment is compared to other potential uses of capital. The process involves both top-down identification of strategies or market sectors that offer the most attractive risk/reward profile and bottom-up sourcing of ideas. The process is overseen by Daniel Och and is actively managed, leading to changes in allocations over time. This is highlighted in Exhibit 4 which presents the quarterly strategy allocations of OZ Master. The allocation to merger arbitrage came down in 2000 as there were fewer transactions and the segment became more efficient, and again in 2008 as leveraged buyouts and financing for potential transactions evaporated. Similarly, the exposure to credit securities declined significantly after 2002, but increased significantly in early 2009 as spreads were at historically wide levels. The allocation to equity long/short special situations increased as OZ expanded its sector and non-US research capabilities, but declined sharply as OZ Master reduced exposures, particularly to equities, across the fund in 2008. Private investments had been a growing component of the portfolio during 2005 and 2006, but the firm has recently been measured in deploying capital in this area given the superior opportunity set in public markets. During 2010, the most significant growth area for the fund from an allocation perspective has been in the area of structured credit, particularly opportunities in RMBS, CMBS and CDO securities.

Exhibit 4
OZ Master Fund, Ltd.
Historical Strategy Allocations

[redacted]

The strategies employed by the fund are described below (along with their capital allocation as of October 2010).

Merger Arbitrage (6.3%): OZ Master invests in publicly announced deals in mergers, tenders, proxy contests, rights offerings and exchange offers. These tend to be complex deals, not spread trades, that require significant analysis (business, industry, regulatory, legal, and political) to understand the situation and potential outcomes. At any given time OZ invests in [redacted], each long the target company and short the acquiring company. The book is geographically diverse with investments in the US, Europe and Asia.

Long/Short Equity Special Situations (30.9%): OZ is not a traditional long/short equity manager but rather seeks out event driven situations where some form of change is impacting the performance of a company. These situations include management changes, capital structure changes, spin-offs, reorganizations and restructurings, liquidations and divestitures. OZ estimates that [redacted] of the investments in the equity book have a hard catalyst event. While they look for long term events and generally hold a position anywhere from six months to three years, OZ will trade around a position based on shorter-term events or news. OZ's analysts conduct in-depth fundamental research to identify a catalyst that will lead to full realization of company value. They focus on small- and mid-capitalization companies which are less well covered by the market, but also invest in larger capitalization companies that present a complex restructuring situation. The equity investments have a value bias. The analysts do not take an activist or control approach, but will communicate their views to management in a friendly manner. OZ primarily adds value from its long positions. They have an aversion to individual shorts which they believe do not provide a sufficient return opportunity or are typically crowded trades. That being said, each position is nevertheless hedged with a basket of stocks to remove market, country and industry risk. The equity book is highly diversified, containing several hundred positions. It has averaged [redacted] net long, was approximately [redacted] net long as of October 2010, and is managed to be close to beta neutral. [redacted]

Convertible and Derivative Arbitrage (18.5%): The fund invests in over [redacted] issuers in the convertible and capital structure segments across a diverse set of sectors. These investments are designed to provide diversification relative to the rest of the portfolio and introduce a component of low volatility.

The convertibles book is managed as a volatility trading strategy using a quantitative approach. OZ primarily invests in investment grade names and does not seek busted convertibles. The fund hedges [redacted] of credit risk using credit derivatives, and also hedges interest rate and currency exposures.

Derivative Arbitrage investments involve relative value trades between different securities in a company's capital structure such as senior versus subordinated debt, debt versus equity and stub trades. A typical trade involves going long the bond or CDS and short the equity of a company. They utilize an event oriented approach seeking wide spreads and an identifiable event. A quantitative model is used to identify mispricings between different securities in the capital structure and is complemented by fundamental research to understand the cause for the divergence in expected values.

Credit & Structured Credit (11.4% and 15.9%, respectively): OZ Master makes both long and short investments in corporate credit securities using a fundamental credit research process. Investments are mainly in US bankruptcies. The credit book invests across all parts of the capital structure including senior bonds, subordinated bonds, loans and bank debt. [redacted]

OZ has recently increased its exposure to structured credit, including RMBS, CMBS, CDOs and other types of asset-backed securities. The fund has built extensive analytical tools and systems in order to perform deep fundamental analysis on the collateral underlying the structured credit securities that it invests in. The structured credit portfolio is primarily long-biased, although the investment team will selectively short indices or baskets of securities in order to hedge risk. OZ attempts to structure its investments in the space to have a favorable risk/reward profile and significant upside optionality. Furthermore, while the investments are made primarily based on fundamental analysis, the fund will tactically trade around the portfolio's core positions in order to enhance returns.

Private Investments (9.1%): A growing component of OZ's portfolio had been private transactions, though few new positions have been added after the first half of 2008. OZ sources deals through their analysts, and they have also hired individuals from private equity firms to focus on private investments. Occasionally they will invest as part of a consortium, such as in the case of [redacted]. OZ makes direct investments on a friendly basis in companies where they have a long standing relationship and with which they are very familiar. [redacted] OZ is typically part of a syndicate and does not take an active approach seeking to operate or gain control of the business. Investments are made with a [redacted] time horizon and due to their illiquid nature are placed in a side pocket. The fund can invest up to 20% of its assets in these types of deals. [redacted] The incentive fee on side pocket investments is paid once the transaction is realized.

The OZ Master Fund opportunistically allocates capital across three geographic regions: the US, Europe and Asia. There may at times be small allocations to Latin America and emerging markets. The US weighting was 51%, as of October 2010, while the European and Asian weightings were 31% and 18%, respectively. As the exposure in Europe and Asia has increased, the US weighting has been steadily coming down, though it has increased slightly in recent months.

OZ runs a conservative book with limited use of leverage. Gross leverage is generally held to [redacted], and net exposure generally does not exceed [redacted]. As of October 2010 the gross and net exposures were [redacted] and [redacted], respectively. The manager will actively raise cash if they cannot find attractive investment opportunities or seek to preserve capital in extremely volatile markets; the cash balance has been as high as 47% as of November 2008, and is currently around 8%.

Idea generation and security selection is conducted bottom-up and includes extensive fundamental analysis. Individual strategy teams are responsible for identifying investments in their respective strategy segments. In order to facilitate the dissemination of information firmwide, OZ has a dedicated relationship manager who is responsible for managing the interaction with financial intermediaries, sell side analysts and other knowledge providers, as well as coordinating this process with OZ's research analysts. Since compensation is based on total firm performance, no single portfolio manager has an incentive to keep capital invested in his strategy if there are better opportunities elsewhere.

Portfolio Characteristics

See Exhibit 5 for selected portfolio characteristics for the OZ Master Fund as of October 2010.

Exhibit 5
OZ Master Fund
Portfolio Characteristics as of October 2010

Total number of positions	[redacted]
Types of securities	
Gross exposure as % of NAV	
Gross long exposure as % of NAV	
Gross short exposure as % of NAV	

[redacted]

Performance

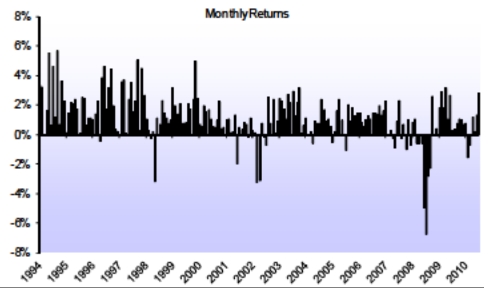
OZ has produced very strong absolute and risk-adjusted returns on a standalone basis and relative to other multi-strategy funds. Since inception in April 1994 through October 2010, the fund has generated an annualized return of 14.01% with a volatility of 5.59%, resulting in a Sharpe ratio of 1.70. As shown in Exhibit 6, this ranks very favorably relative to other hedge funds (as represented by the HFRI Fund Weighted Composite Index) and other multi-strategy funds (as represented by the HFRI Relative Value Index).

As shown in Exhibit 7, the fund has historically shown some statistically significant sensitivity to high yield bonds and commodities, based on the beta coefficients tested in Cliffwater's multivariate regression analysis. The sensitivity to high yield is consistent with the fund's net long biased approach to investing in credit and structured credit while the sensitivity to commodities is likely spurious. Since inception, the fund has shown moderate correlations to other hedge funds.

Exhibit 6
OZ Master Fund
Performance as of October 2010

[redacted]

Fund Return	1-Year	3-Years	5-Years	Inception
OZ Master Fund	7.80%	2.03%	7.17%	14.01%
[redacted]				
S&P 500 TR	16.52%	-6.49%	1.73%	8.08%
Barclays Aggregate Bond Index	8.03%	7.23%	6.45%	6.64%
3 Month Libor Rate	0.34%	1.63%	3.04%	3.91%



[redacted]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	HFRI FW
2010	1.01%	0.96%	0.70%	0.74%	-1.59%	-0.71%	1.13%	0.21%	1.29%	2.78%			6.65%	6.92%
2009	2.57%	-0.09%	0.40%	1.76%	2.85%	1.78%	3.09%	1.05%	2.66%	0.23%	0.34%	0.74%	18.75%	19.98%
2008	-1.02%	0.98%	-0.77%	0.78%	1.05%	-0.58%	-0.58%	-0.62%	-4.92%	-6.79%	-2.83%	-2.25%	-16.48%	-19.03%
2007	1.94%	1.27%	1.55%	1.91%	2.21%	0.28%	-0.24%	-0.85%	0.89%	2.28%	-0.22%	0.64%	12.24%	9.96%
2006	1.79%	1.21%	1.43%	1.46%	0.78%	0.55%	0.92%	1.26%	1.02%	1.43%	1.45%	1.40%	15.72%	12.89%
2005	0.87%	1.05%	0.52%	-0.55%	0.16%	1.57%	2.33%	0.93%	-0.14%	-1.06%	1.97%	0.91%	8.85%	9.30%

[redacted]

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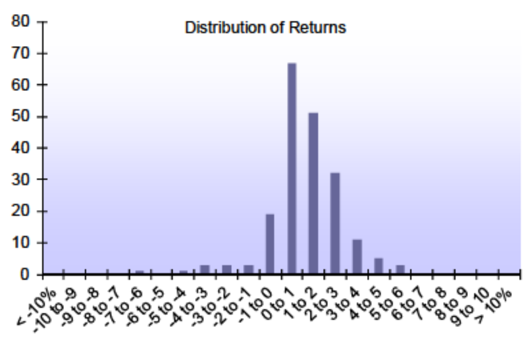
Exhibit 7
OZ Master Fund
Risk Characteristics as of October 2010

[redacted]

[redacted]



[redacted]

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Risk Management

OZ manages risk by running a highly diversified portfolio and by hedging macro risk factors. The portfolio holds in excess of [redacted] positions. Long positions average [redacted] basis points, with large positions at [redacted] and the largest 5 names representing less than [redacted] of the portfolio. Shorts are sized on average at [redacted] basis points and the largest positions are at [redacted]. Position sizing is a function of expected risk and each position has an expected loss limit [redacted]. OZ also runs a conservative book with limited use of leverage. Gross leverage is generally held to [redacted], and net exposure generally does not exceed [redacted].

Hedges are implemented to maintain a beta neutral total portfolio and to mitigate non-event related risks such as market, interest rate, credit and currency risk factors. The hedges are utilized at the individual position level and also on the overall portfolio. OZ implements hedges with broad market indices, ETFs, single securities, baskets of securities and credit derivatives.

OZ has devoted extensive resources to developing a dedicated risk analytics team. The head of risk analytics conducts stress tests, models risk exposures, embedded optionality and concentrations in order to evaluate overall fund risk. Reports produced by the risk analytics team are used by Daniel Och and the portfolio managers. The head of risk analytics does not have authority to manage risk but rather has a reporting role.

Investment Terms

Summary Comments
OZ Master Fund investment terms are in line with market standards or high depending on the share class. Investors can select share classes with one, two or three year lock-ups, and resulting different fee terms.

Term	Och-Ziff Master Fund
Fees and expenses	
Management fee	2.5% for one year lock-up 2.0% for two year lock-up 1.5% for three year lock-up
Performance fee	20%
High water mark	Yes, perpetual
Hurdle rate	None for one and two year lock-up periods; 3-month T-bill hurdle rate for three year lock-up period
Fund expenses	[redacted]
Typical fund expenses	Investment (commissions, clearing and settlement charges, custodial fees, interest expense, consulting, legal and other professional fees), legal, audit, accounting, tax, organizational expenses, and administrator's (offshore) fees.
Offsets to expenses	None
Subscriptions	
Minimum initial investment	$10 million
Minimum subsequent investments	$1 million
Frequency	Monthly
Timing	Last business day of month
Notification period	None
Other subscription provisions	None
Redemptions	
Frequency	For one year lock-up: quarterly, for two and three year lock-up: annual
Timing	On the last business day of each fiscal quarter or year

	following the initial lock-up period
Notification period	For quarterly: 30 days, for annual: 45 days (two year lock-up) or 90 days (three year lock-up)
Gate	None
Distribution of proceeds	Partial redemptions: under 95% of outstanding shares - 100% within 30 days; Over 95% - at least 95% paid within 30 days, with the remainder paid out within 30 days of year-end audit.; side pocket investments when monetized
Suspension provisions	GP (domestic) or Board of Directors (offshore) may limit or temporarily suspend withdrawal payments
Other withdrawal provisions	None
Liquidity	
Lock-up	One year, two year or three year
Early withdrawal penalties	For one year lock-up: none on first 10% of assets, 2% on remaining redemption; For two and three year lock-up: none
Key man provisions	[redacted]
Transferability	Only with prior written consent of GP (onshore) or Board of Directors (offshore)
Side pockets for illiquid investments	Up to 20%, [redacted] incentive fee charged when position is realized, redemptions will not include assets in side pockets with proceeds distributed when position is monetized
Side Letters	[redacted]

Appendix: Glossary

Alpha	Measure of a fund's excess returns over market indices. Alpha represents the portion of a portfolio's returns attributable to manager skill.
Arbitrage Strategy	A hedge fund style that aims to profit from the discrepancy in valuation between related securities, which may include equities, fixed income, derivatives, etc. An example is convertible arbitrage, which attempts to exploit the mispricing between embedded options in convertible bonds and the underlying security.
Beta	Measure of a portfolio's return sensitivity to a market index. The higher the beta, the greater the sensitivity to the market. A portfolio with a beta of 1.0 should move directly in line with the market index.
Convexity	A measure of the sensitivity of a bond's duration to changes in interest rates. Bond portfolios with positive convexity are structured to have greater upside, when interest rates decline, than downside when interest rates increase.
Credit Strategy	A hedge fund style that typically invests in high yield and high grade bonds, bank loans, credit default swaps and structured products. Managers use fundamental credit analysis to identify mispriced debt instruments and express their views through long and short positions.
Derivative	A security whose price is derived from the value of one or more of the underlying variables, commonly the price of another security. An example is a call option which gives the holder the right, but not the obligation, to buy an asset at a specified price for a limited period of time. Derivatives can be used to hedge risk, speculate, or establish arbitrage positions.
Distressed Strategy	A hedge fund style that seeks to take advantage of corporate securities in default, under bankruptcy protection, in distress or heading toward such a condition, or in liquidation. Some distressed managers attempt to add value by becoming actively involved in the restructuring process.
DV01	The hypothetical mark-to-market impact on a fixed income portfolio of a 1 basis point increase in the credit spread of each asset.
DV1%	The hypothetical mark-to-market impact on a fixed income portfolio of a 1% increase in the credit spread of each asset.
Early Withdrawal Penalty	A fee assessed to investors that redeem assets prior to the expiration of a "soft" lock-up. The penalty is a percentage of assets, typically 2% to 5%, and these fees generally accrue to the fund.
Equity Long/Short Strategy	A hedge fund style that primarily allocates capital to long and short positions in equities and equity derivatives. Exposures range from net long to market neutral to dedicated short. Some equity long/short funds focus on specific sectors (e.g., technology and healthcare) or regions (e.g., Asia and Europe).
Event Driven Strategy	A hedge fund style that aims to profit from the mispricing of securities related to hard and/or soft catalysts. Examples include mergers (merger arbitrage), restructurings, bankruptcies, litigation, regulatory and legislative changes.
F-Stat (p-value)	Measure of the statistical significance of a regression. A smaller p-value associated with the F-stat indicates a higher level of statistical significance. For example, a p-value of .01or less indicates significance at the 99% level.
Expense Ratio	All expenses charged to the fund other than those related to trading and financing. These expenses typically include organizational expenses; fund legal, compliance, audit and administrative fees (including middle/back office services); directors' fees and expenses; fund-related insurance costs and research and data fees. Charges related to entering into, maintaining, and financing a position are not included in the ratio. These charges would typically include commissions, margin and other finance charges ("carry"), stock loan costs net of short rebate, brokerage charges, intermediation fees, and any other execution or finance related charges.
Fund of Funds	An investment vehicle that invests in a portfolio of hedge funds.
Gate	A restriction on the amount that investors can redeem from a hedge fund in a given period. Gates are designed to help prevent problems associated with large redemption requests during a specific period. Fund level gates establish this limit as a percentage of all holdings in the fund, potentially allowing redeeming investors to receive a percentage greater than the gate amount. Investor level gates limit each investor's withdrawal to a specific percentage of their account.
General Partner	The partner responsible for the management and investment decisions of the fund.
Global Macro Strategy	A hedge fund style focused on taking advantage of structural macroeconomic imbalances and trends. Global macro managers generally have broad mandates to invest globally

	across all asset classes. These managers tend to employ leverage and have exposure to global interest rates, currencies, commodities and equities.
High Water Mark ("HWM") (also Modified HWM)	The value that a portfolio must exceed before incentive fees can be assessed. The HWM is the highest net asset value previously achieved, and ensures that the manager does not earn performance fees on gains until previous losses are recaptured. A modified HWM allows the manager to earn a reduced (one-half) incentive fee during recovery, with the full incentive fee resuming after recovering 200% of earlier losses. A modified HWM helps a manager retain talented employees during weak performance periods.
Information Ratio ("IR")	Commonly used measure of a manager's risk-adjusted alpha versus a benchmark or set of market indices. The IR is the ratio of excess fund returns to tracking error. LIBOR is an appropriate benchmark for evaluating absolute return strategies, with a high IR indicating consistent outperformance.
Kurtosis	Positive kurtosis measures the tendency of returns to deviate from a "normal" distribution and exhibit "fat tails" where there is a greater frequency of large losses and large gains versus what would be normally predicted. Investors should be cautious of hedge funds whose returns exhibit high positive kurtosis, also known as tail risk.
Leverage	The use of explicit debt (i.e. borrowing) or implicit debt (i.e. derivatives) to achieve investment positions that exceed invested capital (NAV), thereby amplifying return but also increasing risk. A common leverage calculation is the ratio of gross notional exposure to invested capital. For example, a $100 investment in BP stock coupled with a $100 short sale of Exxon stock yields gross notional exposure of $200. Leverage in this example can be described in at least two ways: a. The portfolio has 200% gross exposure (equal to $200 gross notional exposure divided by $100 NAV) b. The portfolio is one time (1x) levered (equal to $100 in debt divided by $100 NAV) As illustrated in the example, the $200 gross notional exposure equals the absolute value total of both $100 long ("gross long") and $100 short ("gross short") asset exposures. The measurement of gross notional exposure varies by asset class: • *Equities* – the market value of long and short positions • *Corporate Debt and Municipal Bonds* – the market value of long and short positions • *US Treasuries (and other highly rated government debt)* – the market value of long and short positions, adjusted to a 10 year bond equivalent maturity (approximate 9 year duration), so that a $100 exposure to a 2 year duration bond is recognized as a lower risk compared to a $100 20 year duration bond. The $100 3 year duration bond is said to have a $33 10 year bond equivalent exposure ($100 times 3, divided by 9) while the $100 20 year duration bond is said to have a $222 10 year bond equivalent exposure ($100 times 20, divided by 9) • *Options* – the delta adjusted exposure rather than the total notional value of the underlying reference asset. Delta adjusted exposure represents the implied shares/holdings necessary to hedge the options position • *Credit Default Swaps* – total notional exposure of the underlying reference credit • *Interest Rate Swaps* – total notional exposure (expressed as 10-year bond equivalent, per the duration adjustment process described above) to reference security or index • *Futures/Forwards* – total notional exposure to reference security or index
Limited Partner	Investors are limited partners in the hedge fund and are "limited" in that they have no voice in hedge fund investment or operational matters, and their losses are limited to amounts invested.
Liquidity	The ease with which a hedge fund can convert its holdings to cash. Funds with higher liquidity can close out of positions more easily and with fewer costs.
Lock-up	The period of time before an investor is eligible to redeem from a hedge fund. Lock-ups of one or two years are typical, and may apply to each subsequent investment. The liquidity of the strategy typically influences the length of the lock-up. For example, distressed funds typically have longer lock-up periods than macro and equity long/short funds.
Hard	Assets can not be redeemed during the lock-up period.
Soft	Assets may be redeemed prior to expiration of the lock-up period, but an early redemption penalty must be paid.
Management Fee	Compensation for management of the hedge fund. Management fees typically range from 1% to 2% of assets.
Macro Overlay	A supplemental component of a portfolio designed to change the exposure of the underlying portfolio to various macroeconomic factors.

Margin (Encumbered Cash)	Cash posted as collateral with a broker or exchange to satisfy the trading requirements of derivative contracts.
Margin-to-equity ratio	The percentage of portfolio capital posted as margin with a broker or exchange (i.e., margin capital divided by total capital). In a portfolio composed entirely of derivative contracts, this number represents the percentage of encumbered cash in the portfolio. This is a common measure of leverage used by CTA managers, since it is proportional to the amount of notional exposure per dollar of capital. For example, if one CTA portfolio has a higher margin-to-equity ratio than another, all else being equal, the former portfolio has higher leverage.
Master-Feeder Fund Structure	A fund structure which allows for onshore and offshore fund vehicles to be managed as a single portfolio.
Master Fund	The master fund is that part of a master-feeder structure into which the feeder funds invest and which manages the single combined investment portfolio. The master fund is generally a non-US corporate entity.
Feeder Funds	Two separate legal entities, one a U.S. onshore partnership (LP) and the other a non-U.S. offshore corporation (LTD) which accommodates investor groups with different tax and regulatory needs.
Max Drawdown	The greatest investment loss experienced by a hedge fund, measured from peak (prior highest cumulative return) to valley (subsequent lowest cumulative return).
Multi-Strategy	A hedge fund style that opportunistically allocates capital to various hedge fund strategies and uses diversification to reduce asset-class and single-strategy risks. Ideally, multi-strategy portfolio managers tactically shift capital among strategies in order to capitalize on current market opportunities. Some multi-strategy funds act as a collection of traders, while others have a more formal organizational structure.
Net Asset Value (NAV)	A fund's total assets less total liabilities.
Notional Exposure	The total dollar exposure represented by a position. Due to leverage, this amount may be greater than the equity in the position. For example, a CDS contract offering $1 million of protection has a notional value of $1 million even though the cost of the contract itself is likely to be a small fraction of that amount.
Gross Long	The total notional exposure of all long positions in a portfolio. Long positions benefit from increases in securities prices.
Gross Short	The total notional exposure of all short positions in a portfolio. Short positions benefit from decreases in securities prices.
Net	The difference between a portfolio's gross long and gross short exposures. A net long position indicates a higher portion of long positions in the portfolio, and that the portfolio should generally benefit from an increase in asset prices. A net short position indicates the opposite.
Total Gross	The sum of a portfolio's gross long and gross short exposures.
Offshore Fund	Hedge funds which are registered/domiciled in offshore jurisdictions such as the Cayman Islands, British Virgin Islands, and Luxembourg. Offshore funds provide eligible investors with tax benefits and regulatory relief. Because offshore funds are administered outside of the U.S., non-U.S. investors and tax exempt U.S. investors such as ERISA pension funds can take advantage of tax benefits.
Onshore Fund	A fund with a U.S. legal domicile under the tax and regulatory locale of the fund manager. Most onshore funds are limited partnerships registered under Delaware law.
Performance (Incentive) Fee	The manager's share of the profits above the high water mark and net of management fees and expenses. The fee is typically 20%.
Serial Correlation	The correlation between current and past returns. In an efficient market, there should be no correlation between returns from one period to the next. Some hedge funds, particularly credit oriented funds, exhibit positive serial correlation which indicates that security pricing may be "sticky" and not change from period to period.
Sharpe ratio	Commonly used measure of a manager's risk-adjusted alpha in relation to a risk-free asset. The Sharpe ratio is equal to excess returns divided by excess risk. A high Sharpe ratio indicates that a manager has generated high risk-adjusted returns.
Side Letter	An addendum to the partnership and subscription agreement which stipulates key terms for a particular investor, such as negotiated fee levels, MFN (Most Favored Nation) clauses, transparency requirements, or special liquidity terms.
Side Pocket	A segregated portion of a portfolio that may be used to hold illiquid, less frequently priced securities. Once a holding is placed in a side pocket, only current investors participate in its performance. Subsequent investors do not share in the gains/losses associated with assets previously placed in side pockets. Performance fees are paid when side pocket

	investments are realized. Assets placed into side pockets are not available for withdrawal until the investments are realized.
Skew	Skew measures the tendency of returns to deviate from a symmetrical distribution. Given two return distributions with the same mean and standard deviation, the distribution with the higher positive skew would be more desirable. Several hedge fund styles, particularly arbitrage strategies, exhibit return patterns that are negatively skewed, an undesirable trait but one that can be managed through style diversification at the portfolio level.
Soft Dollars	Commission credits from trading securities that can be used to pay for research or other services that brokers provide to hedge funds and that are intended for the benefit of investors. Most funds operate under the SEC 28e safe harbor rules that restrict soft dollar use to research only.
Suspension Provisions	A hedge fund provision that allows the manager to suspend all redemptions, generally to deal with extraordinary market circumstances.
T-Stat (p-value)	Measure of the statistical significance of an individual independent variable in a regression. A smaller p-value associated with the T-stat indicates a higher level of statistical significance. For example, a p-value of .01 indicates significance at the 99% level.
Tail Risk	A form of risk that arises when portfolio returns deviate from a "normal" distribution and exhibit "fat tails" where there is a greater frequency of large losses and large gains versus what would be predicted. Although technically positive kurtosis, tail risk is usually associated with downside risk in an extreme scenario.
Tracking Error	Measure of the volatility of an investment's performance relative to a benchmark.
Transferability	The terms under which an investor may transfer ownership rights to another investor. Typically requires the approval of the manager or administrator.
Unencumbered Cash	Unencumbered cash is equal to cash holdings less margin requirements.
VAMI	The Value Added Monthly Index (VAMI) reflects the growth of a hypothetical $1,000 in a given investment over time.
Value at Risk (VaR)	The potential loss in value of a portfolio given a specific time horizon and probability. For example, if a portfolio has a one day 5% VaR of $1 million, there is a 5% chance the portfolio will lose more than $1 million on any given day.